
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Kowloon Development Company Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



九龍建業有限公司

KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

A notice of the extraordinary general meeting of the Company to be held on Thursday, 18 January 2007 at 4:00 p.m. is set out on page 5 of this circular. Whether or not you are able to attend the extraordinary general meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting should you so wish.

29 December 2006

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DEFINITIONS

In this circular, the following expressions have the following meanings, unless the context requires otherwise:

“Board”	Board of Directors
“Capital Increase”	the proposed increase in authorised share capital of the Company from HK\$100 million to HK\$500 million by the creation of 4,000,000,000 new Shares
“Company”	Kowloon Development Company Limited, a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Shantung Room, Level 8, Langham Place Hotel, Mongkok, Hong Kong, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong at 4:00 p.m. on 18 January 2007, the notice of which is set out on page 5 of this circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Latest Practicable Date”	27 December 2006, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Rights Issue”	the proposed rights issue of the Company on the basis of 1 Rights Share for every 2 Shares held with details as announced by the Company on 19 December 2006
“Rights Share(s)”	the rights Share(s) to be issued pursuant to the Rights Issue
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

LETTER FROM THE BOARD



九龍建業有限公司
KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

Executive Directors:

Mr. Or Wai Sheun (*Chairman*)
Ms. Ng Chi Man
Mr. Lai Ka Fai
Mr. Or Pui Kwan

Registered office:

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Non-executive Directors:

Mr. Keith Alan Holman (*Deputy Chairman*)
Mr. Tam Hee Chung
Mr. Yeung Kwok Kwong

Independent Non-executive Directors:

Mr. Li Kwok Sing, Aubrey
Mr. Lok Kung Chin, Hardy
Mr. Seto Gin Chung, John

29 December 2006

To the Shareholders

Dear Sir or Madam

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

INTRODUCTION

On 19 December 2006, the Company announced, among other things, the Capital Increase to facilitate the Rights Issue. The purpose of this circular is to provide you with information in respect of the Capital Increase and to give you the notice to convene the EGM to be held on 18 January 2007 to consider and, if thought fit, approve the Capital Increase.

LETTER FROM THE BOARD

THE CAPITAL INCREASE

As at the Latest Practicable Date, the authorised capital of the Company comprises of 1,000,000,000 Shares of HK\$0.10 each with a nominal value of HK\$100 million. To facilitate the issue of the Rights Shares pursuant to the Rights Issue, the Directors propose to increase the authorised share capital of the Company from HK\$100 million to HK\$500 million by the creation of 4,000,000,000 new Shares of HK\$0.10 each. Upon the Capital Increase becoming effective and assuming no further Shares will be issued prior to the EGM, the authorised share capital of the Company will be HK\$500 million divided into 5,000,000,000 Shares of HK\$0.10 each, of which 767,120,850 Shares of HK\$0.10 each will be in issue and fully paid.

The Capital Increase is conditional on the passing of an ordinary resolution by the Shareholders at the EGM.

EGM

Set out on page 5 of this circular is a notice of the EGM at which an ordinary resolution will be proposed to approve the Capital Increase.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to return the same to the office of the Company's share registrars, Computershare Hong Kong Investor Services Limited, on 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM and any adjourned meeting if you so wish.

PROCEDURES FOR DEMANDING A POLL

Article 75 of the articles of association of the Company provides that at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll):

- (a) by the chairman of the meeting; or
- (b) by at least three members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or

LETTER FROM THE BOARD

- (c) by any member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (d) by a member or members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Unless a poll be so demanded and not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

RECOMMENDATION

The Directors are of the view that the Capital Increase is beneficial to the Company and the Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

By Order of the Board
Kowloon Development Company Limited
Wai Yuk Hing, Monica
Company Secretary

NOTICE OF THE EGM



九龍建業有限公司 KOWLOON DEVELOPMENT COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 34)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Kowloon Development Company Limited (the “Company”) will be held at Shantung Room, Level 8, Langham Place Hotel, Mongkok, Hong Kong, 555 Shanghai Street, Mongkok, Kowloon, Hong Kong on Thursday, 18 January 2007 at 4:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company (with or without amendments):

ORDINARY RESOLUTION

“**THAT** the authorised share capital of the Company be increased from HK\$100,000,000 to HK\$500,000,000 by the creation of 4,000,000,000 new ordinary shares of HK\$0.10 each, such shares to rank pari passu in all respects with the existing ordinary shares of HK\$0.10 each in the issued capital of the Company.”

By Order of the Board
Kowloon Development Company Limited
Wai Yuk Hing, Monica
Company Secretary

Hong Kong, 29 December 2006

Registered Office:

23rd Floor, Pioneer Centre
750 Nathan Road
Kowloon
Hong Kong

Notes:

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the meeting is enclosed. To be valid, the proxy form, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power of attorney or authority, must be deposited at the office of the share registrars of the Company, Computershare Hong Kong Investor Services Limited, on 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof.
3. Where there are joint holders of any share, any one of such holders may attend and vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled to vote, but if more than one of such joint holders are present at the meeting personally or by proxy, the person so present whose name stands first in the register of members of the Company in respect of such share shall alone be entitled to vote in respect of it.
4. Completion and return of the form of proxy will not preclude a member from attending the meeting and voting in person at the meeting or any adjourned meeting if he so desires. If a member attends the meeting after having deposited the form of proxy, his form of proxy will be deemed to have been revoked.